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Supreme Court of the United States

OCTOBER TERM, 1967.

No. 697

OTHAL L. TURNER and ON-THE-TOWN, INC., a Georgia Corporation d/b/a ATLANTA'S PLAYBOY CLUB,

Petitioner,

versus

HMH PUBLISHING COMPANY, INC., a corporation, and PLAYBOY CLUBS INTERNATIONAL, INC., a corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

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versus

HMH PUBLISHING COMPANY, INC., a corporation, and PLAYBOY CLUBS INTERNATIONAL, INC., a corporation,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fifth Circuit, entered in the above-entitled case on July 10, 1967.

OPINION BELOW.

The opinion of the Court of Appeals has as of this date not been officially reported. It is, however, printed in the appendix to this brief.

JURISDICTION.

The judgment of the Court of Appeals was entered on July 10, 1967. Appendix, *infra* this brief. The jurisdiction of this Court is invoked under 28 U.S.C. §1254 (1).

QUESTIONS PRESENTED.

1. Where the publisher of a magazine under a trademark registered by the publisher under the Lanham Act (15 USCA §1053) for a "monthly magazine", has never operated a restaurant, bar, lounge, club, or any establishment featuring food, drink, or entertainment or any such similar enterprise, and where such publisher undertakes to grant an exclusive license to another club to use the trade mark of the publisher for the operation of clubs featuring food, drink and entertainment and to sub-license other parties to use such mark for such purposes and where such licensee has itself never operated any establishment for any purpose but has granted sub-licenses to use said trade mark to other parties, which latter do operate clubs featuring food, drink and entertainment:—Does Section 5 of the Lanham Act (15 USCA §1055) grant valid ownership of the said trade mark to the said magazine publisher so as to include a valid and effective registration in its name and on its own behalf of the trade mark for purposes of the operation of a "private social club featuring food, drink and entertainment" and for "operation of establishments which feature food, drink and entertainment"?

and

Do such facts authorize an injunction upon the petition of the magazine publisher and his licensee (although the sub-licensees did not join in said petition) to prevent a third party from the use of the service mark in the operation of a club?

2. Does the ownership and registration under the Lanham Act of a trade mark for a "monthly magazine" authorize an injunction on behalf of the registrant against the use of the said mark for a night club?

3. Is the following conclusion of the Fifth Circuit Court of Appeals in this case a sound statement of the law in holding: "Section 5 of the Lanham Act definitely contemplates that a trade or service mark may be acquired through its use by controlled licensees, even though the registrant itself may not have used the mark"?

STATUTES INVOLVED.

The principal statute involved is Section 5 of the Lanham Act of 1946, 60 Stat. 427, 15 USCA §1055. Also involved are Section 45 of the Lanham Act, 15 USCA §1127, defining a "related company" and Section 32 of the Lanham Act, 15 U.S. Code §1114.

STATEMENT.

(Parties referred to as in their status in the trial court.)

A permanent injunction against defendants was decreed by the District Court and this decree was af-

firmed in the Court of Appeals from the use of the service mark "Atlanta's Playboy Club" and from the use of the service marks "Playboy" or "Playmate" (in any phonetic spelling or misspelling), or mark or name confusingly similar thereto under which to conduct a night club and restaurant or any other business or portion thereof. The jurisdiction of the District Court was acquired by diversity of citizenship and amount in controversy and by the Lanham Act (15 USC §1121).

HMH Publishing Company, Inc. began the publication of a magazine under the name of "Playboy" or "Playboy Magazine" in November 1952, and has published such magazine under those names since that date (R-28). On December 28, 1954, Trademark Registration No. 600,018 was issued to HMH Publishing Co., Inc. for the name "Playboy" for a "monthly magazine" (Plaintiffs' Exhibit 1).

About the middle of 1959 the president of HMH Publishing Co., Inc. and its promotions manager with a Chicago restaurateur organized International Playboy Clubs, Inc., the purpose of the corporation being to establish a "key" club using the name and decor publicized in their Playboy Magazine (R-126, 130, 134). The "key" club method of operation is the providing of food, beverage and entertainment to patrons who pay a one time admission charge for the "key" which acts as a membership identification as well as a credit symbol to allow the patrons to charge their purchases on their accounts. If a patron seeks admittance

without a "key", he may acquire a temporary key and be admitted but he will be required to pay cash (R-134, 136).

In January 1960, a second corporation was organized under the name of International Playboy Clubs, Inc. which subsequently changed its name to Playboy Clubs International, Inc. and which is one of the plaintiffs in this case (R-130). Upon the organization of the second International Playboy Clubs, Inc., HMH Publishing Co., Inc. by agreement dated March 7, 1960, granted to this International Playboy Clubs, Inc. (now Playboy Clubs International, Inc.) for a term commencing January 21, 1960 and expiring January 20, 2059, "an exclusive license . . . during the term of this agreement to use the HMH Marks, alone or in combination, for the operation of Key Clubs . . . throughout the United States of America and all foreign countries, territories or states, which said Key Clubs shall be operated in accordance with standards established and to be established by HMH as standards of quality and conduct to be identified with said Key Clubs and said HMH Marks." The corporation was granted "the right to grant sub-licenses to others for the purpose of operating Key Clubs under the licensed marks subject to 'the approval of the terms and conditions thereof' by HMH Publishing Co., Inc."

On February 29, 1960, Chicago Playboy Club, Inc. opened a "Key" club under the name of Playboy Club in Chicago. Subsequently, on August 17, 1960, a license was granted by International Playboy Clubs,

Inc. (now Playboy Clubs International, Inc.) to Play Key, Inc., a Florida corporation, for the operation of a Playboy Club in the Miami area. None of its officers, or stockholders were otherwise connected with either of the plaintiff corporations. Under this franchise, Miami Playboy Club was opened on May 6, 1961 (Plaintiffs' Exhibit 47; R-144). On March 23, 1961, a license was granted by International Playboy Clubs, Inc. to Playboy Club of Louisiana, a Louisiana corporation of stockholders not otherwise connected with either of the plaintiff corporations, which opened the New Orleans Playboy Club on October 5, 1961 (R-144).

All of the licensee clubs are separate corporations and are completely third party operations whether or not HMH Publishing Co., Inc. or Playboy Clubs International, Inc. own any stock in them. Each of the licensee corporations operates exclusively within a single state and none of the individual clubs are engaged in any interstate activity. (See descriptions of individual club operations by witness Preuss—R-129-156.)

When, in April 1962, defendants opened their club in Atlanta, Georgia under the name of Atlanta's Playboy Club there were in operation only the Chicago, Illinois, the Miami, Florida, and the New Orleans, Louisiana clubs franchised by the plaintiffs (R-157). While several other clubs were in the planning stage, no club was at that time being considered for Atlanta, nor was such a club being considered for Atlanta when this suit was filed on June 20, 1963.

In April 1962, defendant On-The-Town, Inc. registered its trade name, "Atlanta's Playboy Club" in the Clerk's Office of the Superior Court of Fulton County, Georgia. Defendants have operated only one club or enterprise incorporating in its title the word "Playboy" and the defendants have not been engaged in any inter-state activity in connection with such operation. At the time "Atlanta's Playboy Club" was opened, Othal L. Turner was aware of the plaintiffs' Playboy Magazine, but had never "leafed through a copy." (R-188.) At such time, Mr. Turner had heard of plaintiffs' clubs, Chicago Playboy Club and Miami Playboy Club, but he was also aware of other clubs in the country named "Playboy Club" and it did not occur to him that anyone had any rights in the name (R-188).

On March 5, 1963, eleven months after defendants opened Atlanta's Playboy Club, plaintiffs acquired registration number 746,367 for the mark "The Playboy Club" for "private social club featuring food, drink and entertainment." Subsequently, on May 12, 1964, two years after defendants opened Atlanta's Playboy Club and approximately one year after this case was filed, plaintiffs acquired registration number 759,707 for the mark PLAYBOY for the "operation of establishments which feature food, drink and entertainment."

Defendants' evidence showed that prior to the operation of any club by any licensee of the plaintiffs there were in existence during the 1950's at least sixteen

clubs, bars, lounges or restaurants throughout the United States using in their name the word "playboy".

The plaintiffs had knowledge that there have been various bars around the country at various times using the name "playboy" and plaintiffs have closed up as many as they "could get to." Many the "playboy" bars, lounges and clubs in existence prior to the licensing of any club by the plaintiffs have been closed by the payment of money and by the granting of retroactive licenses. (R-112, 118-123.)

The operation of defendants' Atlanta's Playboy Club is not a "private" or a "key" club and does not operate like one. It advertises that the public is invited and no membership is required (R-190, 191), the location of the club and its general surroundings are not the usual location and surroundings licensed by plaintiffs, the decor, mode of operation, program, degree of sophistication and customers appealed to are distinctly different to the degree that no reasonable person familiar with any licensee club of plaintiffs would believe on attending Atlanta's Playboy Club that he was attending a club licensed or sponsored by plaintiffs. The waitresses were dressed distinctly different.

There is no evidence that any person has ever attended Atlanta's Playboy Club believing himself to be attending a club licensed by, sponsored by, or connected with the plaintiffs and the only thing which has

ever caused any inquiry as to whether Atlanta's Playboy Club was connected with plaintiffs has been the use of "Playboy" in the name. The only act complained of by the plaintiffs in this case is the use by the defendants of the name, Atlanta's Playboy Club, and if defendants operated by another name, plaintiffs would make no complaint (R-100, 101).

Plaintiffs are unable to particularize any specific damages which have resulted to them as a result of defendants' use of the name, Atlanta's Playboy Club. Defendants have not realized any substantial increase in their business as a result of the change of their name to Atlanta's Playboy Club (R-186, 187).

REASONS FOR GRANTING WRIT.

A vital question of wide public interest affecting the basic validity and extent of the ownership of trade mark is raised by this petition. The question is whether the basic principle that exclusive ownership of a trade mark or service mark is dependent upon a registrant's own *prior use* or whether as the Court of Appeals in this case now holds, "a trade or service mark may be acquired through its use by controlled licensees *even though the registrant itself may not have used the mark.*" (Emphasis supplied.)

This conclusion by the Fifth Circuit would, it is submitted, shatter the long established keystone in the law of trade marks that a person may not "dream up" a name for a product which he has never manu-

factured or used and claim the exclusive right in such name by licensing to another that which he himself never manufactured or used—even if he thereafter seeks to control the quality etc. of such licensees' sub-licensees as in this case.

The Fifth Circuit Court of Appeals itself has recognized the fundamental requirement of *use* as the requisite for ownership and furthermore, that registration itself adds nothing to ownership, *i.e.*, in the case of *Faciane v. Starner*, 230 F2d 732 (5th Circuit) (1956), at page 738 states:

> "'The rule is well stated in 87 C.J.S. Trademarks, etc., Sec. 169, pp. 495-500: 'Registration of a trade mark confers only procedural advantages and does not enlarge the registrant's substantive rights . . . *The ownership of a trade mark rests on adoption and use, not on registration* . . . Registered trade marks are limited by the claim, and applicant is concluded as to date of adoption and user by his sworn statement made part of his application ... The exclusive right to use the mark *is limited to use on the class of goods for which it was registered as set forth in the statement filed in the patent office* . . .'" (Emphasis supplied.)

To the same effect is the Fifth Circuit's decision in *American Foods v. Golden Flake*, 5 CCA 1963, 312 F2d 619:

> "A trade-mark is not a right in gross or at large and there is no property right in a trade-

mark except as a right appurtenant to established business or trade in connection with which such mark is employed."

"The use of a trade-mark by a related company does not affect the validity of the mark or its registration—in other words, there is no abandonment—but the use of the mark by a related company cannot give validity to the mark of a registrant or applicant for registration which the registrant or applicant would not have in its own right." *Ex Parte C. B. Donald Company,* 117 U.S.P.Q. 485; *Alligator Company, et al. v. Robert Bruce, Inc., et al.,* D. C. Penn. 1959, 176 F. Supp. 377.

Additionally there is involved the far reaching conclusion of the Fifth Circuit Court of Appeals in this case that even though the original registration of the non-user was for an entirely different class, *i.e.*, for a magazine, nevertheless it could acquire exclusive ownership by licensing to another for a completely different class, *i.e.*, for a night club. Once again the Fifth Circuit itself holds to the contrary in the case of *Faciane v. Starner, supra,* as reflected in the foregoing quote from said case, and in its decision in *Pure Foods v. Minute Maid Corporation,* 5th CCA (1954), 214 F2d 793. To the same effect are the following:

California Fruit Growers Exch. v. Sunkist, 7 CCA 1948, 166 F2d 97; *Time Inc. v. Viovin Corp.,* 7 CCA 1942, 128 F2d 860; *Beechnut Packing Company v. P.*

Lorillard Co., 3 CCA 1925, 7 F2d 967; *White Mineral Springs Co. v. Akron Berg*, 6 CCA 1924, 299 F 775.

The basic principle of "use" as the primary test of ownership is inherent in the Lanham Act itself:

Section 33 (15 USCA 1115) provides that "the registration . . . does not preclude an opposing party from proving any legal or equitable defense which might have been asserted if such mark had not been registered."

The Court of Appeals of the Second Circuit and of the District of Columbia also recognize the fundamental element of *use* as prerequisite to ownership in a mark in their respective decisions in *Best & Company v. Miller*, 2 CCA 1948, 167 F2d 347 and *Macauley v. Matt-Diastrase Co.*, CCA D.C. 1925, 4 F2d 944. To the same effect is the decision of the Commissioner of Patents in the case of *In Re C. B. Donald Co.*, 122 U.S.P.Q. 401 (1959) under facts closely analogous to the case at bar. Similarly to the same effect is *Ex Parte Alexander*, 114 U.S.P.Q. 547 (1957).

Thus, we have a conflict between the Circuit Courts of Appeals upon two of the most far reaching and fundamental facets of the law of Trademarks and Service Marks which this Court should resolve.

It is to be clearly borne in mind that no owner of a "playboy club" was or is in court as a complainant in this case. Plaintiffs appear solely as licensors of a

mark. Thus, neither plaintiff has ever operated a club or restaurant and plaintiffs claim of ownership to the service mark "Playboy Club" must be asserted under Section 5 of the Lanham Act providing for controlled licensing.

In the case of *In Re C. B. Donald*, 122 U.S.P.Q. 401 (1959) it is held that "Section 5 (of the Lanham Act) does not and was not intended to permit the licensing of non-existent rights . . ." and "Section 5 merely recognizes the rights of the owner of a mark under such circumstances (of licensing) but it does not and was not intended to create any right of ownership which did not theretofore exist."

It is to be further observed that the defendants in the court below (petitioner herein) began the operation of their club under the name of Atlanta's Playboy Club on or about April 1, 1962, and during this month of April 1962, registered their trade name in the Superior Court of Fulton County, Georgia, as provided under Georgia law.

The registration of plaintiff HMH Publishing Company, Inc. for their service mark THE PLAYBOY CLUB was not published in the Official Gazette of the Patent Office until December 18, 1962, nine months after the defendants had commenced operation. The service mark was not issued until March 5, 1963.

It is well to note that the Commissioner refused plaintiffs' registration of the service mark PLAYBOY for "key club where food and liquor are sold" and

granted a registration only after the application was amended to THE PLAYBOY CLUB for "operating *private* social clubs which feature food, drinks and entertainment." The acquiescence of the applicant in the refusal to register the mark PLAYBOY and the requirement that the application be amended shows the limited scope to which the registration is entitled.

Section 15 of the Lanham Act (15 USCA 1065) recognizes the ineffectiveness of registration against uses and registrations under state laws prior to the date of publication by providing that registrations under the Lanham Act shall be incontestable "except to the extent, if any, to which the use of a mark registered on the Principal Register infringes a valid right acquired under the law of any state or territory by use of a mark or *trade name* continuing from a date *prior* to the date of the publication under this Chapter of such registered mark." (Emphasis supplied.)

CONCLUSION.

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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.....

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The undersigned does hereby certify that he has on this .... day of ....., 1967, served three true copies of the within petition for certiorari upon Smith, Cohen, Ringel, Kohler, Martin & Lowe, attorneys for respondent, at their offices located on the 24th Floor, First National Bank Building, Atlanta, Georgia 30303, by depositing the same in a United States mailbox with first class postage prepaid.

.....

HERBERT JOHNSON,
Attorney for Petitioner in
Certiorari.

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 24039

OTHAL L. TURNER and ON-THE-TOWN, INC., d/b/a ATLANTA'S PLAYBOY CLUB,
Appellants,

versus

HMH PUBLISHING COMPANY, INC., ET AL.,
Appellees.

Appeal from the United States District Court for the Northern District of Georgia.

(July 10, 1967.)

Before COLEMAN and AINSWORTH, Circuit Judges, and CARSWELL, District Judge.

AINSWORTH, Circuit Judge: HMH Publishing Company, Inc. (HMH) and Playboy Clubs International, Inc. (International), Delaware corporations, both with principal place of business in Chicago, Illinois, as plaintiffs, brought this suit against Othal L. Turner and On-The-Town, Inc., d/b/a Atlanta's Playboy Club, Georgia citizens, defendants, to enjoin the use of plaintiffs' trade and service marks by defend-

ants in their operation of a night club and restaurant known as "Atlanta's Playboy Club."

The suit is based on diversity of citizenship (28 U.S.C. § 1332), on 28 U.S.C. § 1338 relating to actions involving trademarks, and on the Lanham Act (15 U.S.C. § 1121). It is alleged that defendants wilfully infringed on trade and service marks of plaintiff HMH, especially in the use of the trademark and service mark "Atlanta's Playboy Club" and in the use of the marks "Playboy" and "Playmate" in the conducting of a night club and restaurant. From a judgment in favor of plaintiffs, granting a permanent injunction against the use of these marks, defendants have appealed.

HMH began the publication of "Playboy" Magazine in November 1953 and registered the trademark "Playboy" for a monthly magazine on December 28, 1954 with the United States Patent Office. When defendants began the alleged unauthorized use of the name "Atlanta's Playboy Club," in April 1962, the monthly circulation of Playboy Magazine was 1,310,069 copies and when this case was tried it had reached a monthly circulation of 3,366,000. More than 170,000,000 copies have been sold. Its circulation is both nationwide and international.

Hugh M. Hefner was the organizer of HMH and is the owner of 80 per cent of its stock. He has been its president and one of its directors from the beginning. In 1957, HMH announced the intention to use its

trademarks directly in the night club business. In 1959, Hefner and two associates organized Chicago Playboy Club, Inc., which later opened the first club in Chicago. In 1960, the same persons organized plaintiff Playboy Clubs International, Inc. and by agreement with HMH, International was granted an exclusive license, as master licensee, to use the HMH marks, alone or in combination, for the operation of key clubs with standards established and to be established by HMH for quality and conduct to be identified with the key clubs and the HMH marks. International was granted the right to grant sublicenses to others for the purpose of operating such clubs using the marks and subject to the approval of HMH. On February 29, 1960, Chicago Playboy Club, Inc. opened a key club named Playboy Club of Chicago under the licensing agreement described, and on May 6, 1961, a similar licensed club was opened in Florida known as Miami Playboy Club. Subsequently a license was granted to Playboy Club of Louisiana which opened the New Orleans Playboy Club on October 5, 1961. Therefore, in April 1962, when defendants opened their club in Atlanta under the name of "Atlanta's Playboy Club," the Chicago, Miami and New Orleans clubs licensed by plaintiffs were already in operation. Subsequently additional clubs have been licensed and opened in New York City, Phoenix, St. Louis, Detroit, Kansas City, Baltimore, Cincinnati, Los Angeles, Atlanta and Jamaica.

The gross receipts of International and the clubs have increased spectacularly from 1960 to 1965. Inter-

national has promoted the clubs through magazine, newspaper and radio advertising, use of public relations firms, etc., and has spent a total of $5,158,088 in promotion expenses during that period. In addition to holding a registered trademark for Playboy Magazine, HMH also holds service marks for "The Playboy Club" for "operating private social clubs which feature food, drinks and entertainment" registered March 5, 1963; another mark entitled "Playboy" for "operation of establishments which feature food, drink and entertainment" registered May 12, 1964. It likewise has registered trademarks for "Playboy's Playmate of the Month," featured in the magazine "Playboy," registered May 6, 1958 and "Playmate" for calendars registered September 26, 1961, for perfume registered May 7, 1963, and for bracelets, ankle bracelets, earrings, etc. registered September 29, 1964. There are more than 440,000 members of these clubs residing in all of the states, including Georgia, who hold keys to these clubs for which they have paid $25 to $50 each. The key allows access to any of the clubs in the chain.

Defendant Turner purchased the night club known as "The Anchorage" in Atlanta in 1958, and operated it through the corporate defendant. In April 1962, the corporate defendant registered the trade name "Atlanta's Playboy Club" and "Playmate" in the Clerk's Office of the Superior Court of Fulton County (Atlanta), Georgia. At the time Turner knew of the existence of Playboy Magazine and of the Chicago and Miami Playboy Clubs which had been licensed by Internation-

al. The name of "The Anchorage" was changed by defendants to "Atlanta's Playboy Club" and defendants began to advertise the club in Atlanta newspapers with a picture of a girl dressed in a costume closely resembling the famous bunny costume featured by HMH. The advertisement stated "No membership required." It was not a key club. One of the rooms in defendants' establishment at another location was called "The Playmate Lounge."

We are called upon to decide whether plaintiffs have established that the terms "Playboy" and "Playmate" have attained a secondary meaning in connection with their operation of night clubs and restaurants as to justify enjoining defendants' club from using the trade and service marks, where such use adversely affects plaintiffs' activities in interstate commerce. Also, we must decide whether under the Lanham Act (15 U.S.C. §§ 1055 and 1127) the use of the registered marks by plaintiffs' licensees inures to plaintiffs' benefit because such licensees are "related companies" within the meaning of the Act, by virtue of the fact that the nature and quality of their goods or services are controlled by plaintiffs.

The district judge, sitting without a jury, rendered his written decision in well-reasoned, detailed findings of fact and conclusions of law. He held that Playboy Magazine had for many years enjoyed wide circulation throughout the United States (including Atlanta and the State of Georgia); that HMH had extensively advertised its trademark "Playboy" throughout the

United States; had advertised and sold in interstate commerce under its trade and service marks "Playboy" services and consumer items; and that the wide publicizing of the name "Playboy" through the magazine and through the sale of these items had caused the trademark to be identified by the general public with HMH and its products. He found that in December 1959, HMH began to solicit membership applications for its Chicago Playboy Club which featured food, drink and entertainment; that a controlled license had been granted to International for the exclusive right to use and sublicense the trade and service marks of HMH to identify clubs operated in Chicago and other principal cities in the United States; that great care had been exercised in the selection of the licensees; and that HMH controlled the nature and quality of the services of the clubs so that the services would be compatible with the nature and quality of the magazine and products of HMH. The district judge held that HMH had taken an active part in promoting the clubs and that the consuming public recognized the clubs and the services of the licensee under the trade and service marks as having been approved and licensed by HMH. He also found that the mark "Playmate" had been widely publicized by HMH and International. He held that defendant changed the name of "The Anchorage" to "Atlanta's Playboy Club" with full knowledge of the existence of the use of the trademark "Playboy" by HMH, including its use in Playboy Magazine and with the knowledge of the existence of the Chicago and Miami Playboy Clubs franchised by International. He re-

ferred to the newspaper advertisements of defendants with the picture of a girl dressed in a costume closely resembling the bunny costume of HMH. He found that the use of the name "Atlanta's Playboy Club" was confusingly similar to the names of International's franchisees, Chicago Playboy Club and Miami Playboy Club; that telephone calls had been received by Turner and correspondence by plaintiffs which showed actual confusion by the public as to an affiliation between defendants' operation and those franchised by plaintiffs. The district court concluded that the defendants had wilfully adopted and infringed the trade and service marks of HMH with the intention of passiing off their business as one license, sponsored, approved or connected with HMH or its nationally known magazine "Playboy" or with the clubs which it had licensed; that the continued use by defendants of the name "Atlanta's Playboy Club" would damage the rights of HMH in its marks of "Playboy" and "Playmate" because the public is likely to continue to be deceived or confused into believing there is some trade connection between plaintiffs and defendants. Accordingly, the defendants were enjoined from the use of the name "Atlanta's Playboy Club" or the use of the mark "Playboy" or "Playmate."

We are in agreement with the findings of fact of the district judge which are amply supported by the evidence, and with his conclusions of law.

Defendants contend that the trademark "Playboy" is a weak or descriptive term because it is a com-

mon word, and because of wide prior usage by other magazines and clubs; that since plaintiffs do not operate a key club but only license such clubs, they exercise no control over them and have no property right in the trademark. Under the Lanham Act (15 U.S.C. §§ 1051 et seq.), registration of a trademark confers only procedural advantages and does not enlarge the registrant's rights, for ownership of the trademark rests on adoption and use, not on registration. See *Faciane v. Starner*, 5 Cir., 1956, 230 F. 2d 732. However, the record is replete with evidence of continuous use of the marks[1] by plaintiffs who have built a national and international business reputation and have extensively publicized and promoted their trade and service marks at the cost of millions of dollars.[2] The trade and service marks "Playboy," "Playboy Club"

[1] The evidence is impressive that the use was in commerce as defined by Section 45 of the Lanham Act (15 U.S.C. § 1127), despite defendants' contrary argument. For example, at the date of the trial (October 20, 1965), there were 440,000 key holders in all the states, and 13,329 keys had been sold to Georgia residents (as of August 5, 1965). Billing for credit charges at all clubs was from the Chicago headquarters, across state lines. Supervision and control of nature and quality of goods and services were by persons sent from the Chicago office.

[2] Defendants submitted a number of exhibits of copies of third-party registrations of trademarks of the name "Playboy" in aid of their argument that the mark "playboy" was weak and diluted by wide usage by the public. However, defendants do not contend that their use of the term was prior to that of plaintiffs. We will not assume any knowledge on the part of the purchasing public by mere registrations in the Patent Office, nor will we assume that the marks are in continuing use, so as to have any effect on the mind of the purchasing public merely because they had been so registered. See *J. C. Hall Company v. Hallmark Cards, Incorporated*, C. C. P. A., 1965, 340 F. 2d 960; *Application of Helene Curtis Industries, Inc.*, C. C. P. A., 1962, 305 F. 2d 492.

and "Playmate"[3] have through extensive use and promotion of plaintiffs, acquired a secondary meaning of sufficient strength to justify enjoining infringement by defendants. See *North American Air. Sys. v. North American Aviation*, 9 Cir., 1955, 231 F. 2d 205.

The contentions of the parties as to weakness or strength (through secondary meaning) of the marks involve questions of fact implicit in the trial judge's finding of confusion,[4] and such findings unless clearly erroneous should not be disturbed. *American Foods, Inc. v. Golden Flake, Inc.*, 5 Cir. 1963, 312 F. 2d 619.

Defendants argue that there is no evidence of confusion in this case between the use of the trademark "Playboy" for a magazine, and its use by defendant for a night club; that the goods and services of each are noncompeting and, therefore, that the registered trademark is not entitled to protection. We held, however, in *Chemical Corp. of America v. Anheuser-Busch, Inc.*, 5 Cir. 1962, 306 F. 2d 433, that "the concept of competition with respect to the particular

[3] Admittedly, Turner began use of both terms "Playboy" and "Playmate" at the same time. However, plaintiffs withdrew their supplemental pleading which related to the term "Playmate" only, in order to avoid a continuance of the case. Defendants say, therefore, that the term "Playmate" was not before the court and its order in this regard is erroneous. This contention disregards the fact that the pleadings which remained and which were originally filed were broad enough to include the term "Playmate," and the trial judge so ruled and received evidence as to that term also.

[4] The Lanham Act (15 U.S.C. § 1114(1)(a)) provides that a person shall be liable in a civil action who shall, in commerce, use without consent of the registrant any registered mark "which such use is likely to cause confusion or mistake or to deceive purchasers as to the source or origin of such goods or services."

product need not exist to warrant actions of this kind." The argument of defendants ignores the fact that plaintiff MHM, publisher of Playboy Magazine, also holds registered service marks: "The Playboy Club" for "operating private social clubs which feature food, drinks and entertainment," and "Playboy" for "operation of establishments which feature food, drink and entertainment." We agree with the trial court's conclusion that the fact that one mark deals with a magazine and the other with a night club is immaterial since the two are intermeshed in the public mind. To the public Playboy Magazine and the several Playboy Clubs are a single business enterprise. See *Esquire, Inc. v. Esquire Slipper Manufacturing Co.*, 1 Cir., 1957, 243 F. 2d 540.

Defendants also contend that HMH's registry of the mark "Playboy" in connection with the operation of a night club or restaurant is void because HMH does not operate night clubs but relies for the validity of its marks on the operations of such clubs by third-party sublicensees. We look to the statute for the answer.

Section 5 of the Lanham Act (15 U.S.C. § 1055) provides:

> "Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registra-

tion, provided such mark is not used in such manner as to deceive the public."

The term "related company" referred to in Section 5 is defined in Section 45 of the Act (15 U.S.C. § 1127) as follows:

> "The term 'related company' means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used."

Relying on the preceding sections of the Lanham Act, plaintiffs have introduced ample evidence to show that HMH fully controlled and dictated the nature and quality of the goods and services used in connection with the trade and service marks by the several licensees. When a license is granted to a franchisee, it is required to meet standards established by International which in turn are dictated by HMH. These standards relate to decor, design, quantity and quality of food, beverages and entertainment in the clubs. Each club must conform to the standards already established for existing clubs and the agreements with franchisees are made expressly subject to the terms of International's license with HMH. International hires and supervises personnel of all the clubs and the right of supervision is a continuing program.

The clubs are policed by executives of HMH and by two independent services who regularly and periodically visit the clubs and report on the maintenance of standards for food, beverages, services and decor. At HMH's direction International has prepared an operating manual for use in the clubs so each is run in exactly the same manner. All billing of club members for credit charges at the clubs is made from Chicago. HMH's service marks are, therefore, extensively used in commerce. The trial judge found —and we agree—that the nature and quality of the services rendered at the key clubs under the trade and service marks were controlled by plaintiff HMH.[5]

In our view, Section 5 of the Lanham Act definitely contemplates that a trade or service mark may be acquired through its use by controlled licensees, even though the registrant itself may not have used the mark. See *Alligator Company v. Robert Bruce, Inc.*, E. D. Pa., 1959, 176 F. Supp. 377.[6]

We are, therefore, of the opinion that the judgment of the district court was correct, and it is

AFFIRMED.

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[5] Plaintiffs also point out that the record shows that HMH now owns a controlling stock interest in International and that International now owns all of the stock in the Chicago club and the other clubs except Boston (where it owns 50%), Baltimore (5%), and St. Louis and Detroit.

[6] Plaintiffs cite *In re Joseph Bancroft & Sons Co.*, 129 U. S. P. Q. 329 (1961) in accord with this view of the law; defendants cite *In re C. B. Donald Co.*, 122 U. S. P. Q. 401 (1959) contra.

SUPREME COURT, U. S.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967.

No. 697

OTHAL L. TURNER AND ON-THE-TOWN, INC., A GEORGIA CORPORATION D/B/A ATLANTA'S PLAYBOY CLUB, *Petitioner,*

vs.

HMH PUBLISHING CO. INC., A CORPORATION, AND PLAYBOY CLUBS INTERNATIONAL, INC., A CORPORATION, *Respondent.*

BRIEF FOR HMH PUBLISHING CO. INC., AND PLAYBOY CLUBS INTERNATIONAL, INC., IN OPPOSITION.

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Respondent.

BRIEF FOR HMH PUBLISHING CO. INC., AND PLAYBOY CLUBS INTERNATIONAL, INC., IN OPPOSITION.

OPINIONS BELOW.

The opinion of the Court of Appeals is reported at 380 F. 2d 224. The Trial Court's Opinion, Findings of Fact and Conclusions of Law, rendered after trial on the merits (R. 207-220),* is reported at 153 U. S. P. Q. 842; its earlier opinion granting a preliminary injunction is reported at 222 F. Supp. 145 (N. D. Ga., 1963).

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* "R." refers to the portions of the record presented for use in the Court of Appeals. "Petition" refers to the Petition for a Writ of Certiorari herein.

QUESTIONS PRESENTED.

The primary question here presented, and the only question essential to a determination of the merits of the Petition, is:

Whether the owner of a registered trademark and its licensee are entitled to enjoin a party who, with actual knowledge of their prior use, deliberately adopts the mark and causes immediate *actual* confusion among members of the public.

A question sought to be raised by the Petition but unnecessary to a determination is:

Whether the owner of a strong mark for a magazine is entitled to register it as a service mark based upon use by franchisees who, operating under strict controls, employ the mark to identify restaurant-night clubs which embody certain features of, and are closely identified with, the magazine.

STATUTES.

The Trade-Mark Act of 1946, 60 Stat. 429, 15 U. S. C. § 1053, *et seq.*, provides in relevant part:

Section 5 (15 U. S. C. § 1055):

"Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public."

Section 32 (15 U. S. C. § 1114):

"(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale,

distribution, or advertising of any goods or service on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; . . .

* * * * * *

shall be liable in a civil action by the registrant for the remedies hereinafter provided. . . .

* * * * * *

Section 45 (15 U. S. C. § 1127):

* * * * * *

"The term 'related company' means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used."

* * * * * *

STATEMENT.

Petitioners' statement recites various matters which are at odds with the findings of the courts below. The facts as established by the record may be stated briefly, as follows:

Plaintiff HMH Publishing Co. Inc. ("HMH") was organized in 1953 and has continuously published a monthly magazine under its registered trademark "Playboy" since November of that year. (R. 27, 28.) Certificate of Registration No. 600,018 was issued to HMH for the mark "Playboy" for magazines on December 28, 1954. (R. 29.)

In 1960 HMH granted to Playboy Clubs International, Inc. ("International"), a license to use and to franchise others to use certain of HMH's registered marks in connection with the operation of restaurant-night clubs which would embody concepts established and popularized by the magazine and which would be known as Playboy Clubs. (R. 131.) The first franchised Playboy Club opened in Chicago on February 29, 1960. (R. 144.) Since then the chain has grown to include clubs in 14 major cities in the United States, as well as Montreal, Jamaica and London. All of these establishments conform in respect to the nature and quality of their services to standards set and scrupulously enforced by HMH. (R. 133.)

Hugh M. Hefner, editor and publisher of *Playboy*, was and is the owner of 80% of the stock in HMH. (R. 134.) On February 29, 1960 the stock of International was owned in equal shares by Mr. Hefner, HMH, Victor Lownes, an officer in HMH, and Arnold Morton. (R. 133.) The stock in Chicago Playboy Club, Inc., the Chicago franchisee was initially owned 50% by Mr. Hefner and 25% each by Messrs.

Lownes and Morton. (R. 126) Since then HMH has acquired a controlling interest in International, and Chicago Playboy Club, Inc. has become International's wholly owned subsidiary. (R. 33, 134.)

International has sold hundreds of thousands of "Playboy Keys", symbols which permit access to all Clubs in the chain, to residents of every State in the Union. (R. 137, 183.) Keyholders who charge their purchases at the various clubs are billed across state lines from International's offices in Chicago. (Plaintiff's Exhibits 44-50.)

Each of plaintiff's franchised clubs prefaces its name with its geographical location as, for example, the "Chicago" Playboy Club or the "Miami" Playboy Club. (R. 170.) Each franchised Club has at all times featured a "Playmate Bar" (R. 156), thus utilizing another registered mark owned by HMH since 1954. (Plaintiff's Exhibits 4-7, 24-29; R. 52-4.)

The immediate success of plaintiffs' franchised Playboy Clubs attracted wide publicity. The front page headline of *Variety* for February 7, 1962 was "Playboy Clubs Hit Jackpot." *The Wall Street Journal* for March 22, 1962 ran the headline "World of Playboy: Magazine Key Clubs Thrive on Hefner's Formula." (Plaintiff's Group Exhibit 43.)

Defendant Othal L. Turner was and is the president and sole shareholder of the corporate defendant. In 1958 he purchased, through that corporation, an existing night club in Atlanta, Georgia known as The Anchorage. (R. 184-5.) In April 1962, after the establishment of plaintiffs' franchised Chicago, Miami, and New Orleans Playboy Clubs (R. 144), Mr. Turner registered "Atlanta's Playboy Club" and "Playmate" as tradenames under a Georgia Statute. (Defendant's Exhibit 1; R. 188.) A month or two thereafter he changed the name of The Anchorage to

Atlanta's Playboy Club (R. 196) and began to refer to one of its rooms as "The Playmate Lounge". (R. 195.) One of his newspaper advertisements (Plaintiffs' Exhibits 72) for Atlanta's Playboy Club depicts a young woman dressed in a costume closely resembling plaintiffs' famous Bunny costume. (Defendant's Exhibit 8; R. 217.) Mr. Turner and his managers received telephone calls from members of the public inquiring whether defendants' club was affiliated with plaintiffs. (R. 189-192.) Commencing with the announcement of the change of name of The Anchorage to Atlanta's Playboy Club, both plaintiffs began to receive letters inquiring as to any affiliation between defendants and plaintiffs and commenting disparagingly on defendants' operation. (Plaintiffs' Exhibit 32; Defendants' Exhibit 75; R. 64-65.) The Trial Court found that defendants' adoption of HMH's marks had caused actual confusion. (R. 217.)

In April, 1962, Mr. Turner knew of the existence of Playboy Magazine and the franchised Playboy Clubs. (R. 188.) Despite Mr. Turner's protestations that it did not occur to him that anyone had rights in the HMH marks (R. 188), the Trial Judge, who had the opportunity of observing Mr. Turner's demeanor on the stand, concluded that Petitioners' adoption of "Playboy" and Playmate" constituted willful infringement and passing off. (R. 218.)

The Court of Appeals fully confirmed all of the findings and conclusions entered by the Trial Court. (380 F. 2d at 227.)

ARGUMENT.

There is no conflict of decisions between the circuits, and no question presented rises to the level of importance required to warrant review by this Court.

Far from revealing a potential *cause celebre*, the facts disclose only an unimaginative attempt at commercial piracy which the courts below unhesitatingly held actionable.

Indeed, the questions sought to be raised by the Petition were almost academic at the time of trial. Petitioners' lease on the premises occupied by their club would have expired in June, 1964. Prior to such expiration, Mr. Turner, feeling that the area did not warrant his further efforts, sold the equipment and ceased operations. He did not sell the club as a going concern. (R. 186.) Mr. Turner told the trial judge, however, that at a different location in Atlanta he operates The Club Peachtree through another of his wholly owned corporations, and that, if permitted to do so, he would change the name of that establishment to the "Playboy Club." (R. 193-94.) It is difficult to see how "a vital question of public interest" can arise out of what for all practical purposes is a moot controversy.

The main thrust of the Petition goes to the validity of HMH's service mark registrations for "Playboy" in Class 100 (establishments featuring food, drink and entertainment). The courts below correctly held such registrations valid and HMH's service mark infringed, but their decisions may be sustained on alternative grounds, and questions of service mark registrability need not be reached.

Contrary to Petitioners' position, trademark protection is not limited in scope to use on the same class of goods mentioned in the application for registration.* It extends to any goods or services where unauthorized use is likely to cause confusion, mistake or deception. 15 U. S. C. Section 1114; *Baker* v. *Simmons Co.*, 307 F. 2d 458, 462 (1st Cir. 1962); *Pure Foods* v. *Minute Maid Corp.*, 214 F. 2d 792, 796 (5th Cir. 1954); *Admiral Corp.* v. *Penco, Inc.*, 203 F. 2d 517, 520 (2d Cir. 1953).

Direct competition between the parties is not a prerequisite to relief. The courts have long granted relief to magazine publishers against unauthorized uses of their marks on articles of trade or in connection with service businesses. *Esquire, Inc.* v. *Esquire Slipper Mfg. Co.*, 243 F. 2d 540, 544 (1st Cir. 1957) ("Esquire" on slippers); *Triangle Publications* v. *Rohrlich*, 167 F. 2d 969 (2d Cir. 1948) ("Miss Seventeen" on girdles); *Hanson* v. *Triangle Publications*, 163 F. 2d 74 (8th Cir. 1947) ("Seventeen" on dresses for teen-age girls): *Triangle Publications, Inc.* v. *Standard Plastic Products*, 241 F. Supp. 613 (E. D. Pa. 1965) ("Miss Seventeen" on luggage); *HMH Publishing Co. Inc.* v. *Playboy Records*, 161 F. Supp. 540, 543 (N. D. Ill. 1958) (Publisher of "Playboy" stated a claim for equitable relief against user of "Playboy" on phonograph records); *Time, Inc.* v. *Life Television Corp.*, 123 F. Supp. 470 (D. Minn. 1954) ("Life" on television sets); *Conde Nast Publications* v. *Vogue School of Fashion Modelling*, 105 F. Supp. 325 (S. D. N. Y. 1952) ("Vogue" for a school of fashion modelling); *Esquire, Inc.* v. *Maira*, 101 F. Supp. 398 (M. D. Pa. 1951) ("Esquire" for men's clothing store).

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* Petitioners would have so informed the Court had they had the candor to complete the quotation (Petition 10) which they extracted from *Faciane* v. *Starner*, 230 F. 2d 732, 738 (5th Cir. 1956). The missing portion of the passage quoted states: ". . . and to protection against such use as is likely to deceive or confuse."

A case factually in point is *Esquire, Inc.* v. *Esquire Bar*, 37 F. Supp. 875 (S.D. Fla. 1941), where injunctive relief was granted against a restaurant owner.

In most of the above cited cases relief was predicated upon the mere *likelihood* of confusion. In the case at bar there is no need for conjecture. *Actual* confusion was both proved and admitted. When Petitioners adopted the marks "Playboy" and "Playmate," *both* plaintiffs—the publisher, HMH, and the nightclub franchisor, International—began to receive letters of inquiry and protest from the customers. (Plaintiffs' Exhibit 32, Defendants' Exhibit 75; R. 64-5.) Mr. Turner acknowledged on the stand that he and his managers had received telephone calls asking whether the club was affiliated with those franchised by plaintiffs. (R. 189-92.)

The Court of Appeals stated the case succinctly (380 F. 2d at 228-9):

> "We agree with the trial court's conclusion that the fact that one mark deals with a magazine and the other with a night club is immaterial since the two are intermeshed in the public mind. To the public Playboy Magazine and the several Playboy Clubs are a single business enterprise."

Plaintiffs had prior rights. Petitioners' unauthorized adoption of HMH's marks caused immediate confusion. It follows that even if HMH had *never* registered "Playboy" as a service mark, petitioners' conduct would have been properly enjoined as infringement of HMH's registered mark for the magazine and of its common law service mark rights.

With respect to the validity of HMH's service mark registrations, it is Respondents' position that under Section 5 of the Lanham Act (15 U. S. C. § 1055), HMH acquired registrable rights through the activities of its controlled licensees. Such licensees were found to be "related com-

panies" within the meaning of the statute. 15 U. S. C. § 1127; 380 F. 2d at 229.

Petitioners on the other hand seek to raise a highly technical—and equally specious—defense. They contend that HMH could not obtain registrable rights in "Playboy" as a service mark for nightclubs because HMH itself had never used the mark in that business. In support of this contention are cited cases which recite the familiar but here inapposite maxim* that substantive trademark rights can only be acquired through use.

None of the judicial authorities cited by petitioners is in point. The fact is that there are *no* court cases which support petitioners' position on the issue sought to be raised, and thus there can be no conflict of decisions between the circuits.

The Patent Office cases involving the C. B. Donald Company** on which petitioners chiefly rely have been vigorously criticized.*** A more recent Patent Office decision, *In re Joseph Bancroft & Sons Co.*, 129 U. S. P. Q. 329 (Tm. Bd. 1961), holds that where an owner has made some use of a mark (although not a trademark use) prior to licensing, he may obtain registrable rights based upon the activities of his controlled licensee. The *Bancroft* decision is more consistent with the spirit of the Lanham Act than are the *Donald* cases, but even *Bancroft* has been viewed as too limited in its approach. One commentator has stated:

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* "The rationalization of the issues of the non-parallel trademark situations is of very little value as precedent." *Application of Helene Curtis Industries, Inc.*, 305 F. 2d 492, 494 (C. C. P. A., 1962).

** *Ex parte C. B. Donald Company*, 117 U. S. P. Q. 485 (C. P., 1958); *In re C. B. Donald Company*, 122 U. S. P. Q. 401 (C. P., 1959).

*** 4 Callman, *The Law of Unfair Competition and Trade-Marks*, Section 98.3(c), 146 n. 4.2 (2d ed. Supp. 1965); Derenberg, "The 11th Year of Administration of the Lanham Trademark Act of 1946." 48 T. M. R. 1037, 1064 (1958); Derenberg, "The 13th Year", 50 T. M. R. 773, 804 (1960).

> "... it would seem that as long as the mark is lawfully used by a licensee or related company on the date of filing, there would be no need to inquire whether the licensor himself had made some use of the trademark before the license agreement had been executed." Derenberg, "The 14th Year," 51 T. M. R. 777, 798 (1961).

Section 5 of the Lanham Act provides that use by a related Company inures to the benefit of the applicant for registration. 15 U. S. C., Section 1055. In the case at bar, the Court of Appeals has taken the position (380 F. 2d at 229) that the statute simply means what it says: one may acquire registrable rights through the activities of one's controlled licensee without having used the mark oneself prior to licensing.*

It is submitted that the view taken by the Court of Appeals is correct. To hold otherwise would contravene the express language of the statute. A contrary holding would also ignore the great number of cases, pertinent by analogy, in which the courts have long afforded protection to trademark owners whose marks are known to the public only through the activities of licensees. Among such owners are the Coca-Cola Company, manufacturer of syrup which its licensees bottle and vend to the consumer, and the manufacturers of yarn or fabrics whose products are used by garment makers. See, *inter alia, Coca-Cola Co.* v. *J. G. Butler & Sons,* 229 Fed. 224 (E. D. Ark. 1916); *Knight* v. *Milner,* 283 Fed. 816 (N. D. Ohio, 1922); *Alligator Company*

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* The Patent Office's own Rules of Practice in Trade-Mark Cases support this view. Rule 2.38 provides in part:

> "(a) If the first use, the date of which is required by paragraph (a) (1) (vii) or (viii) of § 2.33, was by a predecessor in title, or by a related company (sections 5 and 45 of the act [15 U. S. C. A. §§ 1055, 1127]), and such use inures to the benefit of the applicant, the date of such first use may be asserted with a statement that such first use was by the predecessor in title or by the related company as the case may be."

v. *Robert Bruce, Inc.*, 176 F. Supp. 377 (E. D. Pa. 1959); *Joseph Bancroft & Sons Co.* v. *Shelley Knitting Mills, Inc.*, 212 F. Supp. 715 (E. D. Pa. 1962); Note, "Valid Use of Trade Mark by Other Than Owner," 23 N. Y. U. L. Q. R. 482, 493-5 (1948).

In any event, this case does not require the Court to concern itself with a hypertechnical theory of registrability. Petitioners' flagrant unfair competition has rendered all such doctrinal niceties moot. Cf. *Triangle Publications, Inc.* v. *Standard Plastic Products*, 241 F. Supp. 613, 619-20 (E. D. Pa. 1965).

CONCLUSION.

For the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

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